Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

Message Text

UNCLASSIFIED

PAGE 01 TAIPEI 07345 120953Z

13
ACTION XMB-04

INFO OCT-01 EA-10 ISO-00 AGR-10 CIAE-00 COME-00 EB-07

INR-07 LAB-04 NSAE-00 RSC-01 SP-02 STR-04 TRSE-00

SWF-01 CIEP-02 FRB-01 OMB-01 L-02 /057 W
---------- 037009
R 120903Z DEC 74
FM AMEMBASSY TAIPEI
TO SECSTATE WASHDC 3680

UNCLAS TAIPEI 7345

WASHDC PASS EX-IM BANK

E.O. 11652: N/A
TAGS: EFIN, TW
SUBJECT: FCIA CLAIM NOS. M-571, M-572 & D-356

REF: STATE 260474

EMBASSY WAITED ONE WEEK FOR THE RETURN OF CHIN-HEE YANG, BOARD CHAIRMAN OF YUAN-I INDUSTRIAL CO., LTD., FROM A BUSINESS TRIP TO HONGKONG. ON DECEMBER 10 EMBASSY STAFF FINALLY MET WITH CHIN-SUO CHEN, GENERAL MANAGER OF BOTH YUAN-I AND WU JUNG INDUSTRIAL CO., LTD., WHEN TOLD YANG WAS BACK FROM HONGKONG BUT HAD NOW GONE TO KAOHSIUNG. FOLLOWING ARE ANSWERS IN ORDER OF QUESTIONS IN PARA 8 REFTEL:

1. CHEN SAID ON CLAIM M-571, YUAN-I WAS VISITED BY JOHN J. DAVIS, SECOND VICE PRESIDENT, TRUST CO. OF GEORGIA IN NOVEMBER AND HE AGREED REQUEST HIS COMPANY EXTEND TWO OVERDUE INSTALLMENTS (FEB. 4 & AUGUST 4, 1974) BY ONE YEAR, I.E., TO FALL DUE ON FEB. 4 & AUGUST 4, 1975; IF APPROVED, INTEREST PAYMENTS WILL BE REVISED. WITH REGARD TO M-572 AND D-356, YUAN-I WOULD LIKE TO HAVE A SIMILAR POSTPONEMENT OF DEBT SERVICE FOR ONE YEAR WITH INTEREST PAYMENTS ADJUSTED ACCORDINGLY.
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 TAIPEI 07345 120953Z

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

2. CHEN PROMISED TO FURNISH AUDITED FINANCIAL STATE-
MENTS OF BOTH YUAN-I AND WU JUNE COVERING THE FIRST
THREE QUARTERS 1974 IN NEAR FUTURE WITHOUT GIVING AN
APPROXIMATE DATE. EMBASSY STAFF REQUESTED THAT ALL
PLEDGED ASSETS BE DISCLOSED IN NOTES TO FINANCIAL
STATEMENTS.

3. CHEN SAID THAT ALMOST ALL YUAN-I AND WU JUNE'S
LAND, BUILDING, MACHINERY EQUIPMENT, ETC. WERE PLEDGED
AS LOAN SECURITIES LARGELY BECASUE LOCAL BANKING PRAC-
TICE ACCEPTS PROPERTIES AS LOAN SECURITIES ONLY AT 50
PERCENT OF CURRENT OF BOOK VALUE.

4. ACCORDING TO CHEN, YUANI AND WU JUNE ARE OPERATING
THREE SHIFTS NOW JUST AS IN EXPORT BONANZA YEAR OF 1973.
EXPORT SALES ARE MAINSTAY OF THEIR BUSINESS; CHIEF
LMARKETS ARE JAPAN AND USA. AT PRESENT THEIR ORDER
BOOK IS FILLED AND SHOULD KEEP BOTH COMPANIES IN FULL
OPERATION FOR NEXT SIX MONTHS. ORDERS WERE SHARPLY
REDUCED IN FIRST HALF 1974 DUE TO LARGE CARRYOVER IN
IMPORTING COUNTRIES AND DECLINING PRICES BUT BUSINESS
REVIVED SINCE BEGINNING SECOND HALF AFTER SUBSTANTIAL
DEPLETION OF CARRYOVER. PRESENT NUMBER ONE DIFFICULTY
FACING YUAN-I IS LOW EXPORT PRICES WHICH DRAIN OUT
ERSTWHILE HANDSOME PROFITS; ON OTHER HAND CURTAILING
OPERATION WOULD AGGRAVATE OVERHEAD BURDEN. CHEN MENTIONED
THAT ALTHOUGH COMPANY ON SAME SCALE OF PRODUCTION AS LAST
YEAR, MONTHLY EXPORT REVENUE OF YUAN-I AND WU JUNE NOW
HAS DROPPED TO US$1 MILLION FROM US$1.2-1.4 MILLION IN
1973 INSPITE OF RISING INPUT COSTS; THIS IS THE CHIEF
CAUSE FOR THEIR DELINQUENCY IN LOAN REPAYMENTS.

5. ASSUMING SINCERITY IN CHEN'S STATEMENT AS OUTLINED IN
4 ABOVE, YUAN-I AND WU JUNE WILL PROBABLY REMAIN AT PRESENT
PRECARIOUS BUT NOT WORSENED SITUATION IN SHORT TERM WHILE
MANY EXOGENOUS FACTORS - WORLD ECONOMY AND TRADE AT LARGE,
TEXTILE SALES IN PARTICULAR, ROC'S WISDOM IN TRADE POLICY
AND ITS COMPETITIVE ABILITY VIS-A-VIA SOUTH KOREA,
HONGKONG, ETC. - WOULD PLAY A DOMINANT ROLE IN COMPANIES' LONG
TERM PROSPECTS.
UNCLASSIFIED

6. YUAN-I AND WU JUNE ARE TWO LEADING COMPANIES OF
EIGHT SEPARATE LEGAL ENTITIES CONTROLLED BY THE YANG
FAMILY. CHIN-HEE YANG'S WIFE IS CHAIRMAN OF BOARD OF
WU JUNE CO. THE WHOLE GROUP OWNS 55,000 SPINDLES AND
454 LOOMS AND PERFORMS INTEGRATED TEXTILE MANUFACTURING
FROM SPINNING TO GARMENT MAKING. TOTAL ASSETS SHOULD BE
WORTH AT LEAST US$15-20 MILLION. HOWEVER, EMBASSY DOES

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

NOT HAVE DATA ON COMPANIES' LIQUIDITY AND CREDIT STAND-
ING. EMBASSY ENDEAVORING TO GET NAMES OF YUAN-I'S
PRINCIPAL CREDITORS AND HOPES TO GAIN INSIGHT OF YUAN-I'S
FINANCIAL STATUS THROUGH LATTER CHANNEL. EMBASSY WILL
KEEP EX-IM BANK POSTED OF FURTHER DEVELOPMENTS.
POPPLE

UNCLASSIFIED

NNN

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CLAIMS, TRADE COMPLAINTS
Control Number: n/a
Copy: SINGLE
Draft Date: 12 DEC 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974TAIPEI07345
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740360-1046
From: TAIPEI
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19741239/aaaabhan.tel
Line Count: 121
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION XMB
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 74 STATE 260474
Review Action: RELEASED, APPROVED
Review Authority: MorefiRH
Review Comment: n/a
Review Content Flags:
Review Date: 30 SEP 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <30 SEP 2002 by ReddocGW>; APPROVED <29 JAN 2003 by MorefiRH>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: FCIA CLAIM NOS. M-571, M-572 & D-356
TAGS: EFIN, TW, US, XMB
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005